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World Production and Trade

United States
Department of
Agriculture

Foreign
Agricultural
Service

Washington, D.C. 20250

Weekly
Roundup

WR 29-86

July 23, 1986

The Foreign Agricultural Service of the U.S. Department of Agriculture today reported the following developments in world agriculture and trade.

TRADE NOTES

The UNITED STATES Tables Offer on GATT's Harmonized System. On July 24, the United States tabled its negotiating offer in Geneva on a proposed conversion of the Tariff Schedules of the United States to a new international classification system called the Harmonized System. The converted tariff, which must be approved by Congress, represents a major change from the existing import duty schedule. All major trading countries are expected to adopt the new international classification system. Seven countries, including Japan and the European Community (EC), have already tabled their negotiating offers for their converted tariff schedules.

Negotiations are necessary under the General Agreement on Tariffs and Trade (GATT) because the United States as well as other countries have modified duty rates in the process of adapting their existing tariff schedules to the uniform system. While product descriptions in the new tariff will be different from the descriptions in the existing tariff, a great effort has been made to keep rate changes minimal.

The standardized coding in the new system will make it easier for importers and exporters to determine the correct import duty classification, including the duty rate to be imposed. In addition, much of the documentation accompanying traded products will use the coding system.

GRAIN AND FEED

SOVIETS Report on Grain Area. The preliminary area of the 1986 Soviet grain crop is 118.1 million hectares, according to the mid-year plan fulfillment report published in the Soviet central press on July 20. USDA is currently estimating the 1986 grain area at 118.0 million hectares. (For the 1985 crop, the preliminary and final area figures were 119.4 million and 117.9 million hectares, respectively.)

USDA
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SOVIETS Report on Grain Harvest Problems. Discoloration, reduced vitreousness and low test weights caused by weather "peculiarities," are evidently problems in the 1986 Soviet winter wheat harvest. Consequently, grading standards have been lowered, according to the harvest progress report issued July 17 in Sel'skaya Zhizn, the Soviet agricultural newspaper.

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Harvest of small grains and pulses is progressing at a good pace, according to the report. As of July 14, small grains and pulses had been cut on an area of 16.5 million hectares, of which 12.5 million had been threshed. These figures are well ahead of those of a comparable date in 1985, when the season was about two weeks later than normal; they are slightly larger than the figures for the 1984 harvest but significantly smaller than in 1983, when 25.7 million hectares had been cut and 20.5 million threshed. According to this year's report, the harvest of small grains and pulses is ending in the North Caucasus and southern Ukraine. Crop development there was about 10 days ahead of normal because of hot, dry weather, earlier in the season.

YUGOSLAVIAN Wheat Imports Could Decline. The widening gap between Yugoslavian domestic farm prices and declining world prices may be partially responsible for a new import surcharge which could effectively block wheat imports. The surcharge, equal to the difference between the normal domestic price and the free on board import price plus customs duties, could double the cost of imported wheat paid by millers, restricting demand and offsetting the benefits of the USDA Export Enhancement Program (EEP) for wheat. There are two Yugoslavian wheat EEP initiatives totalling 400,000 tons; 80,000 tons remain to be sold. Yugoslavian 1986/87 (July/June) wheat imports are forecast at 400,000 tons, up from 100,000 tons in 1985/86.

USDA Accepts Export Enhancement Bids for JORDAN and EGYPT. The Commodity Credit Corporation (CCC) accepted offers under the Export Enhancement Program (EEP) covering 75,000 tons of hard red winter wheat to Jordan. The wheat sold at an average price of \$90.38 per ton, cost and freight. In addition, 185,000 tons of soft red winter wheat was sold to Egypt for \$87.00 per ton, cost and freight.

USDA Announces New EEP for SENEGAL. On July 17, a new EEP initiative was announced for Senegal covering 100,000 metric tons of wheat. This was the 38th initiative announced under the program.

OILSEEDS AND PRODUCTS

SPAIN Imposes Security Deposits on Certain Oilseed Imports. The Spanish Government is implementing provisions of Article 4 of EC Commission Regulation No. 1183/86 requiring importers of peanuts and confectionery sunflowerseeds to make a security deposit of 200 ECUs per metric ton prior to import. The consensus of the trade is that this requirement will have an immediate negative effect on imports since most importers do not have sufficient financial resources to make such deposits.

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SPAIN May Import More Sunflowerseed for Crushing. According to the U.S. agricultural counselor in Madrid, Spain's 1986 sunflowerseed crop has been affected by drought and is estimated at 700,000 tons, 23 percent below last year's crop. With a smaller crop, Spain is likely to import between 100-200,000 tons of sunflowerseed for crushing. U.S. exports of sunflowerseed to Spain in calendar 1985 were insignificant.

BULGARIAN Oilseed and Meal Imports to Increase. A severe drought in 1985 is estimated to have reduced Bulgarian oilseed output by 25 percent. As a result, Bulgarian soybean meal imports are expected to total 500,000 tons this year, up over 100,000 tons from 1984/85. Purchases of U.S. soybeans for 1985/86 delivery are about double the previous year's level of 22,000 tons. Bulgaria also bought about 50,000 tons of U.S. sunflowerseed, the first sunflowerseed imports in many years. These larger purchases may also be the result of the Bulgarian government's commitment to expanding its livestock industry.

DAIRY, LIVESTOCK AND POULTRY

HUNGARY'S Poultry Industry Hurt by Feed Shortages. In 1985, flat consumer demand and shortages of good quality feeds caused low profitability for Hungary's poultry industry. As a result, 1985 poultry meat production was essentially the same as in 1984. Egg production declined 4 percent in 1985, largely due to the same feed problems and a decline in demand. According to the U.S. agricultural counselor in Vienna, 1986 poultry meat production is forecast to increase about 7 percent due to better feed supplies and stronger prices for poultry meat. Egg production is expected to decline again in 1986 as demand continues its downward trend.

COTTON AND FIBERS

TAIWAN Cotton Imports May Rebound. Current reports indicate improved cotton imports and consumption prospects in Taiwan for both 1985/86 and 1986/87. The U.S. agricultural officer in Taipei reports heavy textile orders have boosted 1985/86 cotton use above earlier expectations and point to a continued expansion in 1986/87. Cotton imports during nine months of 1985/86 have reached 1.15 million bales and could total 1.4 million by the end of the season. Cotton use is estimated at nearly 1.4 million bales this season. Spinners plan to add 300,000 spindles to capacity in 1986. The report projects 1986/87 imports and use at 1.6 million bales. U.S. exports to Taiwan dropped sharply during 1985/86 but are expected to return to a more normal market share in 1986/87.

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SUGAR

CHINA'S 1986 Honey Production Up Slightly. China's 1986 honey production is estimated at 152,000 tons, up slightly from the 150,000 tons produced in 1985, according to the U.S. agricultural counselor in Beijing. Bee colonies in 1986 are estimated at 6.1 million compared to 6.0 million in 1985. China's official goal is to have 8 million bee colonies by 1990 with an annual honey output of 180,000 tons. Six modern honey processing plants are currently under construction. When completed they will have a combined yearly processing capacity of between 10,000 and 30,000 tons. China is second only to the Soviet Union in the production of honey.

WOOD AND WOOD PRODUCTS

Turnaround Forecast for FINLAND'S Forest Products Industry.

Finland's 1986 harvest of roundwood is forecast at 54 million cubic meters, slightly above the 1985 volume. Raw material utilization is estimated as follows: 42 million cubic meters for domestic processing; 4 million cubic meters for fuelwood; 1 million cubic meters for roundwood exports; and 7 million cubic meters of logging residues and/or natural losses.

Total forested area is expected to remain stable at 20.1 million hectares. The growing stock for 1986 is estimated at 1.665 million cubic meters solid volume with bark, of which 45 percent is scotch pine, 37 percent Norway spruce and 18 percent hardwoods, predominantly birch.

Increases in both foreign demand and export prices are expected to boost 1986 production of softwood lumber (pine and spruce) to 7.5 million cubic meters, 3 percent above 1985, but 8 percent below the 1984 volume. Similar gains are expected for softwood, temperate hardwood plywood (mainly birch) and particleboard.

Finland's production of wood products is as follows in 1,000 cubic meters:

	<u>1984</u>	<u>1985</u>	<u>1986</u> <u>1/</u>
Roundwood	52,400	53,850	54,000
Softwood lumber	8,150	7,300	7,500
Total plywood	592	523	567
Total fiberboard	128	118	90
Particleboard	541	571	600

1/ Preliminary

The forest products industry (including the pulp and paper sector) accounts for a large, albeit declining, share of Finland's total exports. During the period of 1983-85, exports of forest products accounted for nearly 37 percent of the total value of Finnish exports compared to 43 percent in 1980 and 56 percent in 1970. From 1970 to 1985, forest products exports, on a value basis, increased 4.75 times, whereas the value of all exports grew 7.7 times.

The principal solid wood products exported are softwood lumber and hardwood plywood. For 1986, it is expected that approximately two-thirds of Finland's softwood lumber production of 7.5 million cubic meters and 80 percent of its hardwood plywood production of 470,000 cubic meters will be exported.

Softwood lumber exports in 1986, which previously had been forecast to decline, are now expected to increase 2 percent above 1985 levels as a result of increased demand by the major European market countries as well as a stabilization, and in some cases a rise, in export prices. Export prices for most commodities had been trending downward throughout most of 1985.

Finnish exports of lumber to selected market countries in 1985 are as follows in 1,000 cubic meters:

COUNTRY	SOFTWOOD LUMBER	HARDWOOD LUMBER
United Kingdom	853	56
Egypt	584	--
West Germany	532	77
France	442	19
Others	2,474	193
TOTAL	4,885	345

In 1985, Finland exported hardwood plywood to 65 countries. About 89 percent of the quantity exported went to European markets: 4 percent to the United States; 4 percent to Asia; and 3 percent to Africa. West Germany and the United Kingdom were Finland's largest customers, taking 22 and 16 percent, respectively, of the total hardwood plywood exports. For 1986, exports are forecast to increase 9 percent compared to the previous year.

U.S. exports of solid wood products to Finland have declined considerably from 1983's high of U.S. \$13.6 million. In that year, exports of wood chips accounted for approximately 86 percent of the U.S. \$13.6 million total. In late 1984, Finland imposed restrictions on the importation of wood chips from North America and Japan because pinewood nematodes were discovered. As a result, shipments dropped off sharply in 1984 and fell to only U.S. \$975,000 in 1985. In 1985, U.S. solid wood exports to Finland were valued at U.S. \$2.1 million.

At a meeting held in Finland in November 1985, Finland and Sweden (which has also restricted wood chip imports from North America and Japan) discussed research coordination on the pinewood nematode problem. The preliminary plan for this research, in which Finland will concentrate on the vector insect aspects and Sweden on the nematological aspects, includes research activities to be conducted over 3-4 years. During this period, no commercial wood chip imports from the United States can be expected. Test shipments of wood chips, fumigated in transit, are reportedly planned during the research period. If these test shipments prove successful, some fumigated imports may occur.

CREDIT NOTES

TUNISIA Receives P.L. 480 Purchase Authorization for Corn. Tunisia received a Public Law (P.L.) 480, Title I purchase authorization for \$5.5 million, covering about 56,000 tons of yellow corn. The authorization was issued under the Title I agreement of July 11. The contracting period is July 24-Aug. 31, and the delivery period is July 24-Sept. 30.

GHANA Signs P.L. 480 Agreement. On July 14, a fiscal 1986 P.L. 480, Title I agreement valued at \$6.0 million was signed with Ghana. The agreement will provide approximately 25,000 tons of cotton valued at \$5.0 million, and approximately 5,400 tons of rice valued at \$1.0 million.

USDA Amends or Extends Export Periods for TUNISIA, MEXICO, CHILE AND ECUADOR. On July 11, USDA authorized an additional \$34.0 million in fiscal 1986 GSM-102 guarantees for sales of U.S. wheat to Tunisia. Also on July 11, Mexico received an additional \$250 million in credit guarantees, making Mexico's cumulative coverage for fiscal 1986 \$900 million. The \$250-million increase was earmarked as follows: \$50 million for dry, edible beans; \$100 million for oilseeds; and \$100 million for feed grains. The shipping date for dry, edible beans was extended from Sept. 30 to Dec. 31.

On July 14, USDA extended the export period for sales of wheat/wheat flour and feed grains to Chile from Sept. 30 to Dec. 30. These sales are under the GSM-102 program.

On July 17, CCC reallocated \$6.0 million in credit guarantees previously earmarked for sales of cotton to Ecuador. This action reduces the cotton line from \$9.5 million to \$3.5 million, increases the guarantee line authorized for sales of tallow and/or greases by \$2.0 million (from \$3.0 million to \$5.0 million), and increases the breeder livestock line by \$4.0 million (from \$2.0 million to \$6.0 million).

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Status of P.L. 480, Title I and III Agreements Announced. As of July 16, 28 countries have signed P.L. 480 Title I/III agreements for fiscal 1986. The recipient countries and the dollar amounts in million dollars are as follows: Bangladesh, \$70.0 million; Bolivia, \$20.0 million; Costa Rica, \$18.7 million; Ecuador, \$5.0 million; Egypt, \$213.0 million; El Salvador, \$44.0 million; Ghana, \$6.0 million; Guatemala, \$19.0 million; Guinea, \$6.0 million; Haiti, \$15.0 million; Honduras, \$15.0 million; Indonesia, \$30.0 million; Jamaica, \$30.0 million; Liberia, \$11.0 million; Madagascar, \$8.0 million; Morocco, \$20.0 million; Mozambique, \$13.9 million; Pakistan, \$50.0 million; Philippines, \$35.0 million; Senegal, \$9.5 million; Sierra Leone, \$4.0 million; Somalia, \$20.6 million; Sri Lanka, \$26.0 million; Sudan, \$30 million; Tunisia, \$5.5 million; Yemen, \$5.0 million; Zaire, \$20.0 million; and Zambia, \$10.0 million.

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EXPORT ENHANCEMENT INITIATIVES

The status of USDA's Export Enhancement Program as of July 21, 1986, was as follows in metric tons:

ANNOUNCED INITIATIVES	DATE ANNOUNCED	QUANTITY/RESULTS
38. Senegal Wheat	July 17, '86	100,000
37. India Vegetable Oil	July 8, '86	25,000
36. Jordan Barley	June 17, '86	60,000
35. Israel Barley	June 17, '86	200,000
34. Tunisia Dairy Cattle	May 29, '86	4,000 head
33. Algeria Dairy Cattle	May 29, '86	5,000 head
32. Sri Lanka Wheat	May 16, '86	125,000 Sold 50,000
31. Saudia Arabia Barley	May 7, '86	500,000 Sold 200,000
30. Algeria Barley	Apr 17, '86	500,000
29. Morocco Dairy Cattle	Apr 16, '86	4,000 head
28. Turkey Dairy Cattle	Apr 16, '86	5,000 head
27. Egypt Dairy Cattle	Apr 16, '86	6,000 head
26. Yemen Poultry Feed	Apr 14, '86	150,000
25. Yugoslavia Wheat	Apr 10, '86	200,000 COMPLETE
	June 24, '86	200,000 Sold 120,000
24. Indonesia Dairy Cattle	Apr 9, '86	7,500 head
23. Syria Wheat	Apr 8, '86	700,000
22. Benin Wheat	Apr 7, '86	45,000 Sold 20,000
21. Algeria Table Eggs	Apr 4, '86	500 million
20. Iraq Dairy Cattle	Apr 4, '86	6,500 head
19. Jordan Wheat	Mar 19, '86	75,000 COMPLETE
	June 24, '86	75,000 COMPLETE
18. Tunisia Wheat	Mar 18, '86	300,000 Sold 50,000
17. Algeria Wheat Flour	Feb 25, '86	100,000
16. Algeria Semolina	Feb 11, '86	250,000
15. Philippines Wheat	Jan 7, '86	150,000 COMPLETE (152,400)
14. Zaire Wheat	Dec 27, '85	40,000 COMPLETE
	May 15, '86	40,000 COMPLETE
13. Nigeria Barley Malt	Dec 10, '85	100,000 Sold 4,400
12. Iraq Wheat Flour	Dec 9, '85	150,000 Sold 75,000
11. Egypt Poultry	Nov 26, '85	8,000 COMPLETE
	Mar 21, '86	15,000 COMPLETE
	June 18, '86	5,000 COMPLETE
	July 8, '86	15,000
10. Zaire Wheat Flour	Nov 18, '85	64,000 COMPLETE
	May 15, '86	30,000 Sold 15,000
9. Philippines Wheat Flour	Nov 15, '85	100,000 Sold 50,000
8. Jordan Rice	Nov 8, '85	40,000 Sold 22,700
7. Turkey Wheat	Oct 16, '85	500,000 COMPLETE (506,600)
	May 8, '86	500,000
6. Morocco Wheat	Sept 30, '85	1,500,000 Sold 890,000
5. Yemen Wheat	Sept 6, '85	100,000 Sold 50,000

4. Yemen Wheat Flour	Aug 20, '85	50,000	Sold 31,500
	Apr 14, '86	100,000	
3. Egypt Wheat	Jul 26, '85	500,000	COMPLETE
	Oct 30, '85	500,000	COMPLETE
			(512,500)
	June 20, '86	500,000	Sold 252,000
2. Egypt Wheat Flour	Jul 2, '85	600,000	COMPLETE
1. Algeria Wheat	Jun 4, '85	1,000,000	COMPLETE
	Apr 10, '86	1,000,000	

EXPORT ENHANCEMENT PROGRAM SUMMARY

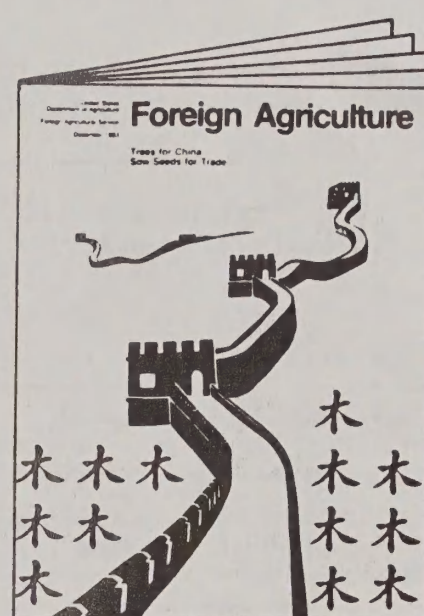
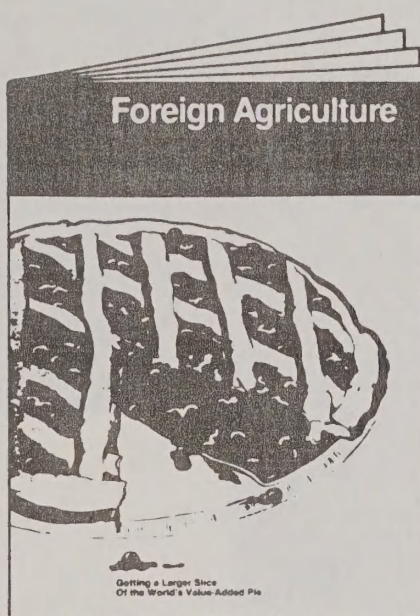
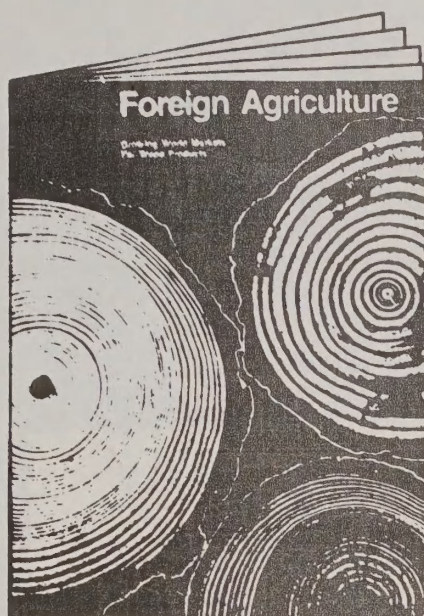
Announced to Date	11,711,780 (grain equivalent) tons
	500 million table eggs
	43,000 tons frozen poultry
	38,000 head dairy cattle
	25,000 tons vegetable oil
Sold to Date	4,533,500 wheat
	1,144,635 flour, grain equivalent
	200,000 barley
	28,000 frozen poultry
	22,700 rice
	5,980 barley malt, grain equivalent
Bonus	\$290.4 million at book value (2,031,100 tons)

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Selected International Prices

Item	:	July 22, 1986	:	Change from	:	A year
	:		:	a week ago	:	ago
<hr/>						
ROTTERDAM PRICES 1/		\$ per MT	\$ per bu.	\$ per MT		\$ per MT
Wheat:						
Canadian No. 1 CWRS-13.5%.		N.Q.	--	--		169.00
U.S. No. 2 DNS/NS: 14%....		126.00	3.43	-0.50		153.50
U.S. No. 2 S.R.W.		116.00	3.16	-2.75		133.50
U.S. No. 3 H.A.D.....		125.00	3.40	-2.50		167.00
Canadian No. 1 A: Durum...		N.Q.	--	--		173.00
Feed grains:						
U.S. No. 3 Yellow Corn....		95.00	2.41	-1.00		127.00
Soybeans and meal:						
U.S. No. 2 Yellow.10/.....		206.80	5.63	+9.70		222.70
Brazil 47/48% Soya Pellets		193.00	--	+6.00		154.50
U.S. 44% Soybean Meal.....		184.00	--	+6.00		148.00
U.S. FARM PRICES 3/						
Wheat.....		87.81	2.39	+1.10		107.28
Barley.....		53.74	1.17	-2.30		67.52
Corn.....		72.83	1.85	-0.79		102.36
Sorghum.....		67.90	3.08 2/	-2.65		96.12
Broilers.....		1533.96	--	+2.87		1045.64
EC IMPORT LEVIES						
Wheat 5/.....		156.90	4.27	+1.45		104.10
Barley.....		163.60	3.56	+1.85		88.75
Corn.....		160.00	4.06	+2.10		80.65
Sorghum.....		167.90	4.26	+1.00		99.10
Broilers 4/ 6/ 8/.....		352.00	--	+4.00		172.00
EC INTERVENTION PRICES 7/ 9/						
Common wheat(feed quality)		172.50	4.69	+1.95		139.55
Bread wheat (min. quality)		181.45	4.94	+2.05		149.35
Maize.....		181.45	4.61	+2.05		139.55
Barley and all other feed.						
grains, excluding maize.		172.50	--	+1.95		139.55
Broilers 4/ 6/.....		1,455.00	--	+11.00		1146.00
EC EXPORT RESTITUTIONS (subsidies)						
Wheat		N.A.	--	--		N.A.
Barley.....		N.A.	--	--		36.30
Broilers 4/ 6/ 8/.....		259.00	--	+3.00		101.00

1/ Asking prices in U.S. dollars for imported grain and soybeans, c.i.f., Rotterdam. 2/ Hundredweight (CWT). 3/ Five-day moving average. 4/ EC category--70 percent whole chicken. 5/ Reflects lower EC export subsidy--down to 20.00 ECU/100 bag effective 9/14/83 from 22.50 ECU/100 bag set in 2/83. 6/ F.o.b. price for R.T.C. broilers at West German border. 7/ Reference price. 8/ Reflects change in level set by EC. 9/ Changes may be due partly to exchange rate fluctuations and/or ECU payments. 10/ October delivery. N.A.=None authorized. N.Q.=Not quoted. Note: Basis August delivery.



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